



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

October 10, 2003

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Auditor of State David A. Vaudt today released an audit report on the Anita Municipal Utilities, Anita, Iowa.

The Utilities' receipts totaled \$775,939 for the year ended June 30, 2003, a 12 percent increase from 2002. The receipts included \$674,866 in charges for service and \$62,669 in interest on investments.

Disbursements for the year totaled \$1,411,980, a 113% percent increase from the prior year, and included \$1,294,078 for water and electric operations and \$117,902 for sewer rental fees and payments in lieu of taxes remitted to the City of Anita. The increase is due to the installation of a new generator and construction of the facility to house the generator.

This report contains recommendations to the Utilities Trustees and other utility officials to maintain documentation to support changes and adjustments to customer accounts. In addition, the budget should be reviewed and amendments made before disbursements exceed the budget. Utilities officials responded they will comply with the recommendations.

A copy of the audit report is available for review in the Office of Auditor of State and the Utilities' office.

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ANITA MUNICIPAL UTILITIES
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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Anita Municipal Utilities

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Poepe	Trustee	July 2003
Jack Retz	Trustee	July 2005
Larry Phillips	Trustee	July 2007
Mark Schultz	Superintendent	Indefinite
Barbara Ann Sisler	Clerk/Cashier	Indefinite

Anita Municipal Utilities



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Independent Auditor's Report

To the Board of Trustees of the
Anita Municipal Utilities:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Anita Municipal Utilities, Anita, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of Utilities' officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

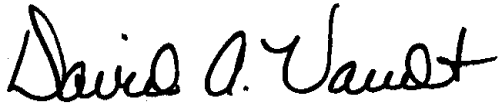
As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in note 1, the financial statements of the Anita Municipal Utilities are intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Anita that is attributable to the transactions of the Utilities.

As described in note 9, the Anita Municipal Utilities intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Utilities' financial statements and related notes in the year of implementation. The revised requirements will include an analytical overview of the Utilities' financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the cash transactions of the Anita Municipal Utilities as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2003 on our consideration of the Anita Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 14, 2003

Financial Statements

Anita Municipal Utilities

Anita Municipal Utilities
Combined Statement of Cash Transactions
All Funds
Year ended June 30, 2003

	<u>Proprietary Fund Type Enterprise</u>
Receipts:	
Use of money and property	\$ 62,669
Charges for service	674,866
Miscellaneous	<u>38,404</u>
Total receipts	775,939
Disbursements:	
Business type activities	<u>1,411,980</u>
Deficiency of receipts under disbursements	(636,041)
Balance beginning of year	<u>1,822,984</u>
Balance end of year	<u><u>\$ 1,186,943</u></u>
See notes to financial statements.	

Anita Municipal Utilities

Comparison of Receipts, Disbursements and Changes in Balances -
Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted	Net
Receipts:			
Use of money and property	\$ 62,669	-	62,669
Charges for service	674,866	117,902	556,964
Miscellaneous	38,404	-	38,404
Total receipts	775,939	117,902	658,037
Disbursements:			
Business type activities	1,411,980	117,902	1,294,078
Excess (deficiency) of receipts (over) under disbursements	(636,041)	-	(636,041)
Balance beginning of year	1,822,984	-	1,822,984
Balance end of year	\$1,186,943	-	1,186,943

See notes to financial statements.

<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Net as % of Budget</u>
55,000	7,669	114%
956,255	(399,291)	58%
45,000	(6,596)	85%
<u>1,056,255</u>	<u>(398,218)</u>	<u>62%</u>
 834,995	 (459,083)	 (55%)
 221,260		
<u>1,066,557</u>		
<u><u>1,287,817</u></u>		

Anita Municipal Utilities
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue notes: Electric	May 1, 2002	3.25 - 5.6%	\$ 820,000

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
820,000	-	40,000	780,000	39,870

Anita Municipal Utilities
Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Anita Municipal Utilities is a component unit of the City of Anita, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member board of trustees appointed by the City Council, which exercises oversight responsibility under this criteria.

B. Fund Accounting

The accounts of the Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds are classified as Enterprise Funds in the financial statements. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The Anita Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The Anita Municipal Utilities prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities.

(2) Deposits

The Utilities' deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees, prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Revenue Notes

Annual debt service requirements to maturity for revenue note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2004	3.75%	\$ 40,000	38,570	78,570
2005	4.00	40,000	37,070	77,070
2006	4.20	45,000	35,470	80,470
2007	4.40	45,000	33,580	78,580
2008	4.60	50,000	31,600	81,600
2009	4.80	50,000	29,300	79,300
2010	4.90	55,000	26,900	81,900
2011	5.00	55,000	24,205	79,205
2012	5.10	60,000	21,455	81,455
2013	5.20	60,000	18,395	78,395
2014	5.30	65,000	15,275	80,275
2015	5.40	70,000	11,830	81,830
2016	5.50	70,000	8,050	78,050
2017	5.60	75,000	4,200	79,200
Total		\$ 780,000	335,900	1,115,900

The resolution providing for the issuance of the revenue notes includes the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking account for the purpose of making the note principal and interest payments when due.

- (c) At the time of delivery of the notes, \$82,000 shall be deposited into a principal and interest reserve account. These funds shall be used for the payment of principal and interest on the notes if, for any reason, funds on deposit in the sinking account are insufficient to pay such when due.
- (d) At the time of delivery of the notes, \$50,000 shall be deposited into an improvement and extension account. These funds shall be used if there is a deficiency in the sinking account, reserve account or to pay for capital improvements and extensions to the Utility.

(4) Pension and Retirement Benefits

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utilities is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$9,115, \$8,896, and \$8,575, respectively, equal to the required contributions for each year.

(5) Compensated Absences

Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2003 is as follows:

Type of Benefit	Amount
Vacation	\$ 12,000
Sick leave	<u>18,000</u>
Total	<u>\$ 30,000</u>

Sick leave is payable when used or upon retirement or termination. If paid upon retirement or termination, an employee receives one-half of accumulated sick leave hours paid at the effective hourly rate for that employee.

This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the business type activities function within the City of Anita budget exceeded the amount budgeted.

(7) Risk Management

The Utilities is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Utilities' property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Utilities' annual contributions to the Pool for the year ended June 30, 2003 were \$12,339.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(8) Commitments

At June 30, 2003, the Utilities had remaining commitments totaling \$52,024 for the purchase of a new generator and the construction of the structure to house it. The balance will be paid as work on the project progresses.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the Utilities' financial activities.

Supplemental Information

Anita Municipal Utilities
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	<u>Water</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ -
Lease of property	3,900
	<u>3,900</u>
Charges for service:	
Sale of water	86,585
Sewer rental fees	87,353
Sale of electricity	-
	<u>173,938</u>
Miscellaneous:	
Sales tax collected	5,250
Refunds and reimbursements	5,369
Customer deposits	-
Miscellaneous	372
	<u>10,991</u>
Total receipts	<u>188,829</u>
Disbursements:	
Business type activities:	
Administration:	
Personal services	365
Miscellaneous	877
	<u>1,242</u>
Plant operation:	
Personal services	32,764
Purchased power	2,416
Insurance	4,113
Chemicals	4,649
Supplies	1,846
	<u>45,788</u>

Electric	Sinking	Reserve	Improvement	Electric Emergency	Meter Deposit	Total
55,544	-	-	-	-	-	55,544
3,225	-	-	-	-	-	7,125
58,769	-	-	-	-	-	62,669
-	-	-	-	-	-	86,585
-	-	-	-	-	-	87,353
500,928	-	-	-	-	-	500,928
500,928	-	-	-	-	-	674,866
22,319	-	-	-	-	-	27,569
-	-	-	-	-	-	5,369
-	-	-	-	-	2,795	2,795
2,299	-	-	-	-	-	2,671
24,618	-	-	-	-	2,795	38,404
584,315	-	-	-	-	2,795	775,939
735	-	-	-	-	-	1,100
34,130	-	-	-	-	-	35,007
34,865	-	-	-	-	-	36,107
89,843	-	-	-	-	-	122,607
168,743	-	-	-	-	-	171,159
8,226	-	-	-	-	-	12,339
-	-	-	-	-	-	4,649
5,906	-	-	-	-	-	7,752
272,718	-	-	-	-	-	318,506

Anita Municipal Utilities
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	<u>Water</u>
Disbursements (continued):	
Business type activities:	
Distribution:	
Sales tax remitted	5,442
Supplies and materials	9,256
Vehicle operation	1,580
	<u>16,278</u>
Accounting and collection:	
Personal services	6,702
Office supplies	4,009
Contractual services	-
	<u>10,711</u>
Debt service:	
Principal redeemed	-
Interest paid	-
	<u>-</u>
Maintenance:	
Personal services	22,945
	<u>96,964</u>
Remittances to the City:	
Sewer rental fees	87,353
Payment in lieu of taxes	-
	<u>87,353</u>
Total disbursements	<u>184,317</u>
Excess (deficiency) of receipts over (under) disbursements	4,512
Other financing sources (uses):	
Transfers in (out)	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,512
Balance beginning of year	<u>43,656</u>
Balance end of year	<u>\$ 48,168</u>

See accompanying independent auditor's report.

Electric	Sinking	Reserve	Improvement	Electric Emergency	Meter Deposit	Total
22,747	-	-	-	-	-	28,189
31,799	-	-	-	-	-	41,055
6,585	-	-	-	-	-	8,165
61,131	-	-	-	-	-	77,409
13,399	-	-	-	-	-	20,101
8,036	-	-	-	-	-	12,045
678,957	-	-	-	-	2,233	681,190
700,392	-	-	-	-	2,233	713,336
-	40,000	-	-	-	-	40,000
-	39,870	-	-	-	-	39,870
-	79,870	-	-	-	-	79,870
45,905	-	-	-	-	-	68,850
1,115,011	79,870	-	-	-	2,233	1,294,078
-	-	-	-	-	-	87,353
30,549	-	-	-	-	-	30,549
30,549	-	-	-	-	-	117,902
1,145,560	79,870	-	-	-	2,233	1,411,980
(561,245)	(79,870)	-	-	-	562	(636,041)
(218,418)	86,418	82,000	50,000	-	-	-
(779,663)	6,548	82,000	50,000	-	562	(636,041)
1,033,730	-	-	-	730,000	15,598	1,822,984
254,067	6,548	82,000	50,000	730,000	16,160	1,186,943

Anita Municipal Utilities



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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Board of Trustees of the
Anita Municipal Utilities:

We have audited the financial statements of the Anita Municipal Utilities, as of and for the year ended June 30, 2003, and have issued our report thereon dated August 14, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anita Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. The prior year statutory comment has been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anita Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Anita Municipal Utilities' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

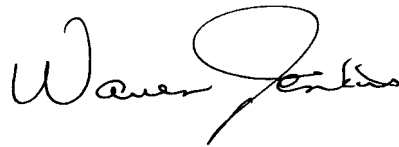
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Anita Municipal Utilities and other parties to whom the Anita Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Anita Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 14, 2003

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITION:

Utility Billings and Delinquent Account Records – Supporting documentation was not maintained for changes and/or adjustments made to customer billings and delinquent account records.

Recommendation – The Utility should prepare and maintain supporting documentation for changes made to customer billings and delinquent account records.

Response – We have implemented a procedure to create a paper trail for any change. This is simply a computer file “notebook” where we will note any changes or corrections to billing records such as meter changes, bad reads, posting to wrong accounts, etc.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Utilities’ disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the business type activities function within the City of Anita budget. Chapter 384.20 of the Code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation”.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will review the budget more often to see if we need to amend it and will include the note payments in our budget.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (4) Travel Expense – No disbursements of Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.
- (5) Business Transactions – No business transactions between the Utilities and Utilities’ officials or employees were noted.

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2003

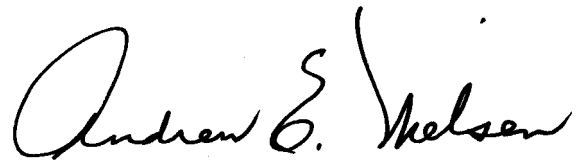
- (6) Bond Coverage – Surety bond coverage of Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities’ investment policy were noted.
- (9) Revenue Notes – The Utilities has complied with the electric revenue note resolution requirements for the year ended June 30, 2003.

Anita Municipal Utilities

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Jennifer Campbell, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State